

The Effect of Village Financial Management Implementation, Financial Management Supervision and Organizational Commitments on Fraud Prevention

Elsa Nur Hidayah¹⁾, and Andy Dwi Bayu Bawono²⁾

¹⁾Faculty of Economics and Business, University of Muhammadiyah Surakarta, Indonesia

²⁾Faculty of Economics and Business, University of Muhammadiyah Surakarta, Indonesia

Abstract: This research aims to analyze the effect of village financial management, financial management supervision and organizational commitment to fraud prevention in villages in Karanganyar Regency. This study uses quantitative methods and saturated samples as a sampling method. A total of 111 respondents were used as samples, the data were analyzed using multiple linear regression. The results show that village financial management, financial management supervision and organizational commitment had a significant influence on fraud prevention. The Adjusted R^2 coefficient of determination shows a result of 39.0%, and the model has passed the results of the classical assumption test. It can be concluded that an agency must pay more attention to financial management, financial management supervision and organizational commitment to prevent fraud from occurring and improve performance.

Keywords: Financial Management, Financial Management Supervision, Organizational Commitment, Fraud Prevention

I. INTRODUCTION

The development of a country can be based on the growth of a village, since the village is the smallest entity in a territory. The number of villages allows for the formation of provinces, which are the building blocks of a country. According to Regulation Number 6 of 2014, a village is a legal entity in the community with geographical borders that is empowered to manage government affairs, the interests of local communities regarding community actions, and the right to proposals that are recognized and respected in the Unitary State of the Republic of Indonesia's governmental system. As terms of National Development, villages also play an important role. This is because villages can be used as indicators of successful implementation of programs and policies organized by the government.

Financial statements, according to the Indonesian Institute of Accountants (2018), are a systematic arrangement based on the condition and quality of the organization's finances. Financial statements are generated to reveal information on an organization's status, performance, and cash flow, which may subsequently be used to decide the organization's financial policy direction. The government's reporting on monetary transactions is important in making economic choices for third parties. Financial management monitoring is required due to the lack of openness in financial budgeting in government entities. The practice of planning, reporting, and accounting for village funds for the activities carried out is known as village financial management.

According to research by Ardiyanti and Supriadi (2018), Indrianasari (2017), Rahayu et al., (2019), Jati (2019), Atmadja & Saputra (2018), Wafirotin & Septviastuti (2019), and Huang et al., (2017), financial management control activities implemented in an agency or company to prevent fraud have a beneficial impact. This differs from Rahayu et al., (2019) entitled "Determinants of Fraud Prevention in Village Financial Management," Internal control system

variables have no influence on fraud prevention in village financial management in internal control management system.

In the research of Jati (2019), Atmadja & Saputra (2018), Lou & Wang (2011), Lisic et al., (2015) and Huang et al., (2017) assert that there is a positive influence between surveillance and fraud prevention. In Jati (2019) in his research on how the link between internal supervision and simultaneous examination affects the prevention of fraud. In his research, it was also explained that the role of leaders in conducting supervision and examination is very imperative, although not all acts of fraud can be eliminated. In contrast to the research of Seputro et al., (2017) entitled "Potential Fraud and Anti-Fraud Strategies for Village Financial Management," the context of supervision includes the effectiveness of local government performance. The inspectorate's involvement in carrying out supervision of financial management in the village is still low. Thus, it can be determined that supervision has no effect on the level of fraud prevention.

Hayatunnupus and Mandasari (2020), Albar and Fitri (2018), Sumbayak (2017), Natasya et al. (2017), and Rifai and Mardijuwono (2020) consistently emphasized a beneficial relationship between organizational dedication and fraud prevention. Poor administration and oversight of money are frequently the underlying reasons of village-level fraud. As a result, there is misuse in the allocation of inappropriate monies. Based on the aforementioned issues, it is worthwhile to do more research in Karanganyar Regency, which has a high number of villages and a diverse distribution of regions, as well as distinct leaders in each village with varying leadership styles. The researcher intendsto do study on the deployment of fraud prevention measures in village institutions.

II. LITERATURE REVIEW

Stewardship Theory

The application of management theory in this study can enlighten the role of the village government as an institution that can be trusted to carry out the public interest by carrying out its duties and functions correctly and establishing the financial management that has been authorized as then commercial viability, public infrastructure, and community programs can be acquired efficiently. In carrying out these responsibilities, stewards (village government officials) direct the effectiveness of internal control in order to be able to produce quality financial information. and carried out in accordance with the rules in order to prevent fraud by implementing preventive measures

Village financial management

Village financial management is a series of activities consisting of planning, implementing, administering, reporting, and accounting for all forms of activities that will be or have been carried out. In the execution of government in rural communities, it must be carried out openly, regularly, and obediently so that it can encourage the creation of good government (The Ministry of Home Affairs Regulation No. 20 of 2018).

Financial Management Supervision

In village financial management, supervision of financial statements is required. This is very important to do in an effort to regulate all activities in line with applicable guidelines. In addition, the implementation of supervision can better control the performance of officials in terms of financial management so as not to commit acts of fraud, data manipulation, corruption, and other unlawful acts.

Organizational Commitment

Cut Zurnali in the book "Learning Organization, Competency, Organizational Commitment, and Customer Orientation: Knowledge Workers – Research Framework for Human Resource Management in the Future" (2010) It is states that the general concern and priority of the organizational objectives of the HR unit is to measure and accurately estimate the organizational commitment of workers.

Fraud Prevention

As stated by the Association of Certified Fraud Checkers (ACFE) a fraud in the workplace occurs when an employee, manager, major, or owner of an organization commits a fraudulent act that causes the organization to suffer losses. Therefore, acts of fraud of any kind must be prevented.

III. INDENTATIONS AND EQUATIONS

Research Design

This research is a quantitative study with hypothesis testing. In this study using primary data. The main data are those attained directly from related parties and related to the problem under study. The main data source in this study was gained directly from the holder of village financial management power, namely the Village head in Karanganyar Regency. By collecting information through questionnaires that are distributed to respondents.

Population and Sample

The population in this research was the village heads who served in 162 villages in Karanganyar Regency in the current period. Respondents were sampled in bulk using a saturated sampling technique, with a questionnaire fill rate of 111 respondents. The inhabitants in this study are the village head who served in the current period in 162 villages in Karanganyar Regency. Respondents were sampled as a group using a saturated sampling technique, with a questionnaire fill rate of 111 respondents.

Types and Data Sources

The data collection method in this study used questionnaires. The questionnaire will be given directly to related parties, namely the Village Head in Karanganyar Regency, produced primary data sourced from all groups of 162 villages and obtained a sample of 111 respondents.

Multiple Linear Regression Analysis

This analysis aims to show the impact of variables on village financial management, supervisory management, and organizational obligation to fraud prevention. In this study, using the Multiple Linear Regression Analysis method. This is because this study used more than one variable, which was formulated by:

$$PF = a + b1PKD + b2PPK + b3KK + e$$

Information:

PF: Effect of fraud

a : Constant

b : Regression coefficient

PKD: Village financial management

PPK: Supervision of financial management

KK: Organizational commitment

e : Standard error

IV FIGURES AND TABLES

IV.1.1 Data Analysis Discussion

IV.1.1.1 Descriptive Statistical Analysis

Table 1. Descriptive Statistical

Information	N	Minimum	Maksimum	Mean	Standart Deviasi
Village Financial Management	111	18	25	23,21	1,602
Financial Management Supervision,	111	18	25	22,73	1,732
Organizational Commitment	111	21	30	26,09	2,130
<i>Fraud Prevention</i>	111	22	30	26,51	2,144

Source: Primary data processed by the author, 2022

Based on the table, it can be perceived that (N) in this study was 111 people. The results of the descriptive analysis of the village financial management variables have the lowest value (minimum) of 18 and the highest value (maximum) of 25, while the mean (mean) is 23.21 and has a standard deviation of 1.602. By looking at an average that is close to the maximum value of 25.00, it is possible to conclude that respondents are generally in favor of the implementation of village financial management.

IV.1.1.2 Classic Assumption Test

IV.1.1.3 Normality Test

Table 2. Normality Test

Variable	Kolmogrov-Smimov Z	Sig (2-tailed)	p-value	Information
Undstandardize s Residual	0,073	0,2	. 0,05	Normal

Source: Primary data processed by the author, 2022

The normality test shows the Kolmogrov-Smimov Z value of 0.073 with a significance value of $0.2 > 0.05$. So, it can be decided that the data in the study contributed normally, as evidenced by the p value greater than 0.05.

IV.1.1.3 Multicollinearity Test

Table 3. Multicollinearity Test

.	Variable	Tolerance	VIF	Information
1.	Village Financial Management,	0,818	1,223	There Is No Multicollinearity

2.	Financial Management Supervision,	0,825	1,212	There Is No Multicollinearity
3.	Organizational Commitment	0,982	1,018	There Is No Multicollinearity

Source: Primary data processed by the author, 2022

Based on the table above, it can be got that the VIF value does not exceed 10 and the tolerance value is not less than 0.1, so it can be concluded that the regression model does not experience multicollinearity.

IV.1.1.4 Heteroscedasticity Test

Table 4. Heteroscedasticity Test

No.	Variable	Sig.	p-value	Information
1.	Village Financial Management,	0,867	P > 0,05	There Is No Heteroscedasticity
2.	Financial Management Supervision,	0,115	P > 0,05	There Is No Heteroscedasticity
3.	Organizational Commitment	0,209	P > 0,05	There Is No Heteroscedasticity

Source: Primary data processed by the author, 2022

According to the table above, it can be known that the test results do not indicate the occurrence of heteroskedasticity. This is based on the results of the implication value of each variable being greater than 0.05 (5% confidence level).

IV.2 Hypothesis Test

IV.2.1 Multiple Linier Regression

Table 5. Multiple Linier Regression Result

Variable	B	T	Sig.
(constant)	0,037		
Village Financial Management,	0,449	4,076	0,00
Financial Management Supervision,	0,327	3,220	0,02
Organizational Commitment	0,331	4,372	0,00

Source: Primary data processed by the author, 2022 $PF = 0,037 + 0,449PKD + 0,327PPK + 0,331KO + e$

The value of the resulting constant is 0.037. These results show that if the independent variables in this study, namely the application of village financial management, supervision of monetary supervision, and organizational commitment, are assumed to be constant, fraud prevention can increase.

1. The value of the resulting constant is 0.037. These results show that if the independent variables in this study, namely the application of village financial management, supervision of fiscal administration, and organizational commitment, are assumed to be constant, fraud prevention can increase.
2. The value of the resulting constant is 0.037. These results show that if the independent variables in this study, namely the application of village financial management, supervision of financial management, and organizational commitment, are assumed to be constant, fraud prevention can increase. The higher the amount of financial management oversight, the better the chance of fraud prevention.
3. The regression coefficient upon this organizational commitment variable revealed a positive value of 0.331, indicating that implementing organizational commitment will boost fraud prevention. The greater the level of fraud protection, the greater the number of organizational commitments executed.

IV.2.2 Coefficient of Determination Test (R²)

Table 6. Coefficient of Determination Test

Model	R	R Square	Adjusted RSquare	Std. Error of the Estimate
1	.638	.407	.390	1,674

Source: Primary data processed by the author, 2022

According to the table, the coefficient of determination is 0.390. The findings revealed that the variety of village financial management, financial management supervision, and organizational commitment could explain 39.0% of the variation in fraud prevention variables in Karanganyar district, while the remaining 61.0% was explained by other variables not studied in this study.

IV.2.3 Simultaneous Test (F Test)

Table 7. F Test Results

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	205,787	3	68,596	24,471	.000b
1 Residual	299,942	107	2,803		
Total	505,730	110			

Source: Primary data processed by the author, 2022

This test is used to examine the influence of dependent factors on dependent variables all at once. According to the table, the determined value is 24,471 with a profitability (Sig.) of 0.000. At a 5% level of significance, the F table value is 3.93. As a consequence, the computed F value is 24.471 > F tabel is 3.93, with a 0.00 0.05 significant value. The findings suggest that the factors of village financial management, corporate finance oversight, and organizational commitment have a substantial impact on the prevention of fraud in villages in Karanganyar Regency.

IV.2.4 Statistical Test)t-Test

Tabel 8. T Test Result

Model	Unstandardized Coefficients		Standardized Coefficients Beta	T	Sig.
	B	Std. Error			
1	(Constant)	,037	3,095	,012	,990
	Village Financial Management,	,449	,110	,336	4,076
	Financial Management Supervision,	,327	,101	,264	3,220
	Organizational Commitment	,331	,076	,328	4,372

Source: Primary data processed by the author, 2022

1. Village Financial Management for Fraud Prevention

The results of the t test for the township wealth management parameter were acquired based on the table, with a calculated r of 4.076, which is greater than the table r of 1.658, and with a significance value less than 0.05, namely 0.00, then H1 is accepted, indicating that there is a massive impact among village financial management and prevention. And fraud in Karanganyar Regency villages.

2. Supervision of Financial Management for Fraud Prevention

Referring to the table, the findings of the t test for corporate finance supervision variables were procured with a calculated r of 3.220, higher than the r table of 1.658, and with a significance value less than 0.05, namely 0.02, then H2 is accepted, indicating there is a massive influence between public sector financial and the prevention of fraud in the villages of Karanganyar Regency.

3. Organizational Commitment to Fraud Prevention

The t test results for the organizational culture measurement were collected referring to table, with a premeditated r of 4.372, greater than the r table of 1.658, and a significance value less than 0.05, which is 0.00, indicating that H3 is accepted, indicating there is a significant effect between village financial management and fraud prevention in villages in Karanganyar Regency.

V CONCLUSION

Based on the analysis and discussion that have been carried out in this study, the following conclusions can be drawn:

1. The results of the t test show that H1 is accepted, meaning that the variables of village financial management have a significant effect on preventing fraud in villages in Karanganyar Regency.
2. The results of the t test show that H2 is accepted, meaning that the financial management supervision variable has a significant effect on preventing fraud in villages in Karanganyar Regency.

3. The results of the t test show that H2 is accepted, meaning that the financial management supervision variable has a significant effect on preventing fraud in villages in Karanganyar Regency.
4. The F test results show that the variables of village financial management, corporate finance supervision, and organizational commitment all affect fraud protection in villages in Karanganyar Regency at the same time, as proven by a calculated F value of $24.471 > F$ tabel of 3.93 and a significance value of 0.00 from 0.05.

Limitations

This study has limitations that should be considered by future researchers in order to improve research. Limitations can be expressed as follows:

1. This study used questionnaires and got answers from respondents. It is still possible that the results of the study do not reflect the actual circumstances, which are based on the specific circumstances of each respondent.
2. A small number of questionnaires were returned. This study only used 111 respondents from a total population of 162 from villages in Karanganyar Regency.

Suggestion

Based on the results of the analysis and the conclusions that have been drawn, suggestions that can be put forward to be considered in subsequent studies are:

1. Subsequent research can apply an interview system to respondents as a supplement to the questionnaire. So that the results obtained can better reflect the actual conditions that occur.
2. Further research is expected to obtain a higher rate of return of questionnaires by physically distributing questionnaires and waiting for the filling process to be completed so that the number of respondents will increase.

REFERENCES

- [1] Albar, T. M., dan Fitri, F. A. (2018). Pengaruh Komitmen Organisasi, Etika Organisasi, Keadilan Kompensasi, Dan Sistem Pengendalian Internal Terhadap Fraud (Studi Empiris Pada Skpd Pemerintah Kota Lhokseumawe). *Jurnal Ilmiah Mahasiswa Ekonomi Akuntansi (JIMEKA)*, 3(3), 527-537.
- [2] Ardiyanti, A., dan Supriadi, Y. N. (2018). Efektivitas Pengendalian Internal, dan Kompetensi Sumber Daya Manusia, Terhadap Implementasi Good Governance Serta Impikasinya Pada Pencegahan Fraud Dalam Pengelolaan Keuangan Desa Di Kabupaten Tangerang. *Jurnal Akuntansi Manajerial*, 3(1), 1-20.
- [3] Bawono, A.D.B., Purbasari, H., Adi, S.W. (2019). Financial Management Reform Process in the Indonesian Village Government. *Journal Humanities & Social Science Reviews*, 7(4), 962-967. <https://doi.org/10.18510/hssr.2019.74131>
- [4] Atmadja, A. T., dan Saputra, K. A. K. (2018). Determinant factors influencing the accountability of village financial management. *Academy of Strategic Management Journal*, 17(1), 1-9.
- [5] Habibah, U., dan Bawono, A.D.B. (2017). Analisis Pengaruh Pendapatan Desa (PADesa), Dana Desa (DD), Alokasi Dana Desa (ADD), dan Bagi Pajak dan Retribusi (BHP) terhadap Belanja Desa Bidang Pendidikan di Kabupaten Sukoharjo pada tahun 2016. Universitas Muhammadiyah Surakarta.
- [6] Hayatunnupus, I. L., dan Mandasari, J. (2020). Pengaruh Kesesuaian Kompensasi, Penegakan Hukum dan Komitmen Organisasi Terhadap Fraud Pada Pemerintah Desa. *Jafa (Journal of Accounting, Finance, and Auditing)*, 2(2), 49-57.
- [7] Huang, S. Y., Lin, C. C., Chiu, A. A., dan Yen, D. C. (2017). Fraud detection using fraud triangle risk factors. *Information Systems Frontiers*, 19(6), 1343-1356. <https://doi.org/10.1007/s10796-016-9647-9>
- [8] Ikbal, M., Irwansyah, I., Paminto, A., Ulfah, Y., dan Darma, D. C. (2020). Financial intelligence: Financial statement fraud in Indonesia. *Journal of Intelligence Studies in Business*, 10(3), 80- 95. <https://doi.org/10.37380/JISIB.V10I3.640>

The Effect of Village Financial Management Implementation, Financial Management Supervision and Organizational Commitments on Fraud Prevention

[9] Indrianasari, N. T. (2017). Peran Perangkat Desa Dalam Akuntabilitas Pengelolaan Keuangan Desa (Studi Pada Desa Karangsari Kecamatan Sukodono). *Assets*, 1, 29–46.

[10] Izzalqurny, T. R., Subroto, B., dan Ghofar, A. (2019). Relationship between Financial Ratio and Financial Statement Fraud Risk Moderated by Auditor Quality. *International Journal of Research in Business and Social Science* (2147- 4478), 8(4), 34–43. <https://doi.org/10.20525/ijrbs.v8i4.281>

[11] Jati, I. K. (2019). Pengaruh Pengawasan Melekat Dan Pemeriksaan Internal. *Jurnal akuntansi*, 14, 80–91.

[12] Lou, Y.-I., dan Wang, M.-L. (2011). Fraud Risk Factor Of The Fraud Triangle Assessing The Likelihood Of Fraudulent Financial Reporting. *Journal of Business & Economics Research (JBER)*, 7(2), 61–78. <https://doi.org/10.19030/jber.v7i2.2262>

[13] Natasya, T. N., Karamoy, H., dan Lambey, R. (2017). Pengaruh Komitmen Organisasi Dan Pengendalian Internal Terhadap Resiko Terjadinya Kecurangan (Fraud) Dalam Pelaksanaan Jaminan Kesehatan Di Rumah Sakit Bhayangkara Tk. Iv Polda Sulut. *Going Concern : Jurnal Riset Akuntansi*, 12(2), 847–856. <https://doi.org/10.32400/gc.12.2.18274.2017>

[14] Permana, B. A., Perdana, H. D., dan Kurniasih, L. (2017). Determinant of Fraud in Government Agency: Empirical Study At the Finance and Development Supervisory Agency (Bpkp) of Jakarta Representative Office. *Asia Pacific Fraud Journal*, 2(1), 93. <https://doi.org/10.21532/apfj.001.17.02.01.08>

[15] Rahayu, D., Rahmayati, A., dan Narulitasari, D. (2019). Determinan Pencegahan Fraud Pengelolaan Keuangan Desa. *Among Makarti*, 11(2), 97–107. <https://doi.org/10.52353/ama.v11i2.170>

[16] Rahmatulloh, F., Aswar, K., dan Ermawati. (2019). Affecting Factors on Accountability of Village Fund Allocation Management in Bogor District. *Information Management and Business Review*, 11(4), 43–49.

[17] Rifai, M. H., dan Mardijuwono, A. W. (2020). Relationship between auditor integrity and organizational commitment to fraud prevention. *Asian Journal of Accounting Research*, 5(2), 315–325. <https://doi.org/10.1108/AJAR-02-2020-0011>

[18] Seputro, H. Y., Wahyuningsih, S. D., dan Sunrowiyati, S. (2017). Potensi Fraud Dan Strategi Anti Fraud Pengelolaan Keuangan Desa. *Jurnal Penelitian Teori & Terapan Akuntansi (PETA)*, 2(1), 79–93. <https://doi.org/10.51289/peta.v2i1.284>

[19] Sumbayak, J. S. (2017). Pengaruh Keadilan Organisasi, Sistem Pengendalian Intern, Komitmen Organisasi dan Gaya Kepemimpinan Terhadap Kecurangan (Fraud) (Studi Empiris Pada Kantor Cabang Utama Perusahaan Leasing di Kota Pekanbaru). *JOM Fekon*, 14(1), 3168–3182.

[20] Wafirotin, K. Z., dan Septiviastuti, U. (2019). the Effect of Transparency, Community Participation, and Accountability on Management of Village Funds in Ponorogo Regency. *Ekuilibrium : Jurnal Ilmiah Bidang Ilmu Ekonomi*, 14(1), 31. <https://doi.org/10.24269/ekuilibrium.v14i1.1527>